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Insurance Science and Economics. A Practical Discussion of Present-Day Problems of Administration, Methods, and Results. By FREDERICK L. HOFFMAN. New York: The Spectator Co., 1911. 8vo, pp. xiii+366. \$3.00.

This collection of articles and addresses furnishes a useful survey of the literature of various insurance topics.

The first chapter, with abundant citations, shows the relations of life insurance to economics, ethics, psychology, jurisprudence, and the mathematical, biological, medical, and physical sciences. In a few instances the relationships are somewhat forced, but the summary cannot fail to be suggestive of the wide range of human interests bound up with life insurance.

The second chapter attempts to recapitulate the discussions of insurance in general economic works. If the results appear fragmentary and inconclusive the chief blame properly belongs to the economic theorists, who have commonly devoted to insurance inadequate and unsatisfactory attention. Unfortunately, however, the author attempts no classification of the contributions of others, offers no distinct analysis of his own, and (without explicit definition) uses familiar economic terms in unfamiliar senses. Several extracts, showing divergence from current classifications and definitions follow:

"It is still an open question as to which of the three general divisions of political economy—that is, production, distribution and consumption—should comprehend insurance" (p. vi). "The science of economics in the larger sense comprehends more than a mere science of wealth or the three essential functions of production, distribution and consumption." It "includes competition, speculation, investments of capital, combination of capital, money, credit, profits, co-operation, protective legislation, etc." (p. 70). "Evidently insurance is an important factor in production. . . . It is equally evident that insurance is an important factor in distribution because the cost of transportation must be less where the risk of loss or destruction is distributed through insurance than where the whole risk has to be assumed by either the shipper or the agency engaged in transportation" (p. 50). "Contrary to the theory of Mill, of including insurance and interest as elements of profit, Professor Francis A. Walker considered interest as an element of distribution" (p. 59). "It appears to have escaped the attention of Mill that interest itself is but a form of insurance, or at least that portion of the rate which exceeds the lowest return paid on government securities of unquestionably the highest intrinsic value. Interest, in a measure, is but another term for compensation for risk" (p. 56).

The third and fourth chapters treat historically the relation of insurance to commerce, the controlling purpose being to controvert the Supreme Court's attitude upon the applicability to insurance of the commerce clause of the federal Constitution. The intimate legal relation of insurance to commerce is easily established, but the author further contends that at the time of the adoption of the Constitution "insurance was considered an element of commerce and that insurance transactions were held to be commercial transactions not separate and distinct from commercial affairs generally" (p. 169). The hopes of advocates of federal regulation lie in two directions, first the possibility that the Court will sometime reverse the long line of adverse decisions, and second that if Congress would only declare its jurisdiction over insurance, the Court might be persuaded that previous decisions had applied only in the absence of congressional action. Success by either solution seems remote. The Constitution, here as elsewhere, may be faulty, but until the Court discovers that it has misinterpreted the commerce clause, or that its construction is at variance with other legal principles, a reversal is hardly to be anticipated. The obstacle to congressional action lies ultimately in the fact that the states do not want to give up their regulation, partly because they enjoy revenue from that regulation, and partly because of the unquestionable popular prejudice in favor of state regulation. Under these circumstances, Congress is unlikely to act. The author, in fact, concedes that "for the time being . . . the outlook for federal supervision of insurance is practically hopeless" (p. 213). While he approves extensive legislative control he implies that matters of "detail," such as standard policies, methods of valuation, limitation of expense, and limitation of new business, should be left entirely to company officials (p. 215). The impression is growing, however, that much "detail" legislation has had a wholesome effect, and there is certainly no evidence that it has thus far lessened the sense of responsibility of insurance companies' managers. As far as recent conditions can be said to prove anything, they prove the contrary. If all such legislation were to be avoided by federal supervision the transfer of regulation would be a backward step. More convincing of the need of national regulation is the wretched diversity of state legislation. The task of procuring uniform legislation is, as the author shows, a formidable one, but there are many grounds for encouragement. Much has been accomplished in this direction, but much can still be done.

Insurance companies have another interest in federal regulation—escape from state taxation. Mr. Hoffman offers two chapters on insur-

ance taxation. He holds that a tax upon life insurance is objectionable because it is "a tax upon prudence, a tax upon thrift, a tax upon a business which should be free from all burdensome restrictions to enable it to develop and to expand to the highest degree of possible usefulness" (p. 270). There are possible grounds of public policy for exempting insurance companies or policyholders, but they are not the grounds here suggested. The exempting of all thrift, prudence, and useful enterprise would produce a sorry system, grossly violating the principle that the state should levy upon its citizens in proportion to their varying abilities. Mr. Hoffman quotes with apparent approval the well-known argument attributed to Charles Sumner, that an insurance premium is a tax, and hence a premium tax is "a tax upon a tax" (p. 282). While a premium bears some analogy to a tax, insurance men would be wiser if they refrained from gravely stretching the analogy to prove double taxation. Moreover, a little more attention to taxation problems not immediately connected with their particular business would give them a more practical view of the vices of American taxation than they now possess. In aiming at the premium tax they are singling out one detail of the generally bad system of state taxation. Their efforts would be more effective if they co-operated with tax-reformers in correcting the system, instead of insisting upon the detail which peculiarly concerns them. Mr. Hoffman is apparently familiar with the plea for co-operation, for he notes the addresses of Professors Adams and Zartman before the Association of Life Insurance Presidents, but he does not seem to have been impressed with their arguments. He not only fails to note that insurance companies are not unique in being subject to a bad method of taxation, but even implies that he has no fault to find with the general property tax (pp. 272, 284).

The volume contains, in addition to the chapters already reviewed, a concise account of the English Assurance Companies' Act of 1909, and an admirable description of life insurance supervision in Germany. The last chapter of the book is an excellent essay on the law of average, "not intended as a scientific outline of the mathematical, or even the statistical, theory of average," but rather "to emphasize the importance of general statistical results as a basis for general conduct in the everyday affairs of life" (p. 333). Each chapter of the book is supplied with an extensive bibliography, which students will find very useful. Text and references everywhere testify to the scholarly attainments of the author.

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